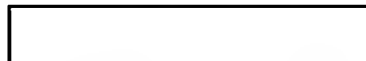


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State Department review completed

28 March 1957




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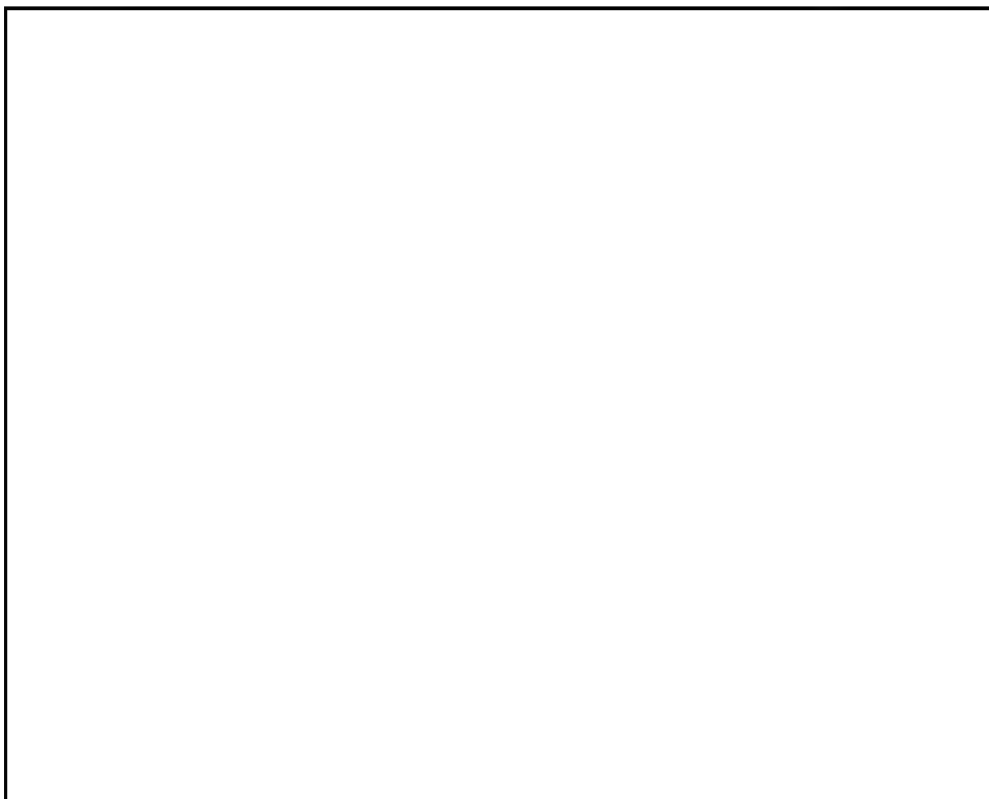
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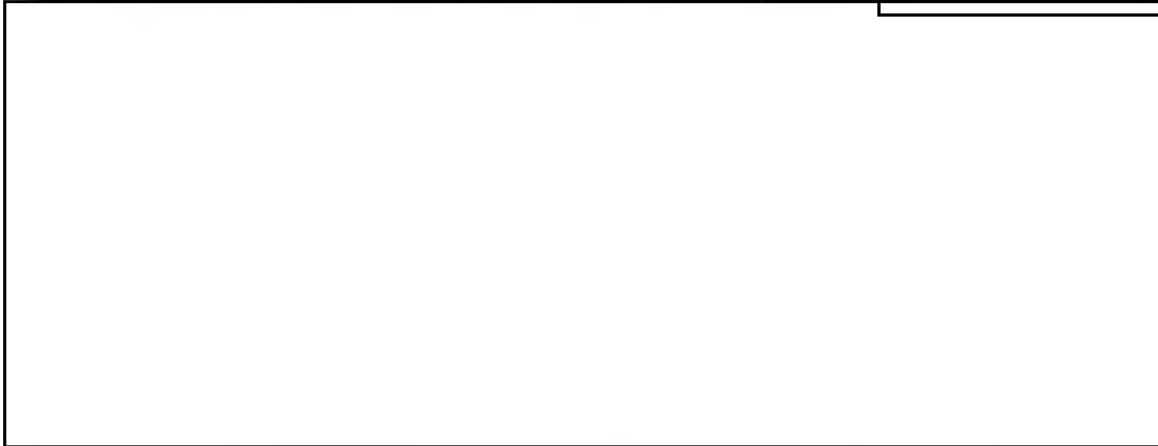
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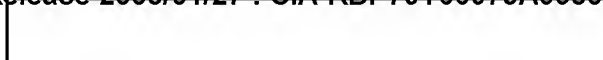
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1. EGYPTIAN MEMORANDUM ON SUEZ CANAL

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The draft memorandum on the Suez Canal circulated by Egypt on 26 March once again makes clear the Nasr regime's intention to operate the canal

and collect the tolls under its own authority exclusively.

The only hint of international participation in the financial arrangements for the canal is an authorization for toll payments to be made to the account of the Egyptian canal authority with the Bank of International Settlements, a non-political institution which acts as clearing agent for central banks in the European Payments Union. Tolls can also be paid directly to the National Bank of Egypt.

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The memorandum states that Egypt will establish a "Suez Canal capital land development fund" which will receive 25 percent of gross receipts to meet the needs of development and capital expenditures on the canal. However, it appears that this fund would be entirely under Egyptian control. The balance of the memorandum consists essentially of a reaffirmation of Egypt's determination to abide by the Constantinople Convention of 1888 and of its willingness to arbitrate disputes with users and with the stockholders of the nationalized Suez Canal Company.

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This memorandum, like its predecessors, is not likely to satisfy the essential demand of Britain, France and other Western European shipping countries that either the financial or operating authority over the canal should be subject to some form of international control. The British government has informed British shipowners they should not use the canal for the time being, and the French government has asked several other SCUA members to make similar requests. However, ships of several nationalities, including Greek and Dutch, reportedly have already paid tolls to the Egyptian canal authority.

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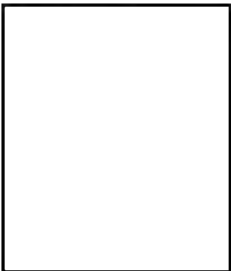
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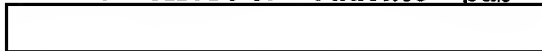
Premier Bulganin's note of 21 March to Norwegian prime minister Gerhardson is the first formal Soviet communication to any country dealing with the risks of accepting atomic weapons or atomic-equipped units. This has, however, been a strong Communist propaganda theme since January, and a number of informal diplomatic warnings have been given since then, particularly to Asian-African countries.

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Bulganin admonished Norway against allowing its territory to be used as a base against the Soviet Union and warned that Norway might have to "pay dearly" for NATO bases. He pointed out the necessity in wartime for retaliation against an aggressor and "also against the bases which are located near our borders."

The most immediate purpose of this letter was probably to deter Norway from accepting new conventional missiles and rockets which could, however, be equipped with atomic warheads. This latest Soviet warning is not likely to deter the Norwegian government from accepting these weapons, but it will complicate the government's effort to "educate" public opinion on their necessity.



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